

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS

In Re. Surgalign Spine Technologies, Inc.

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§
§Case No. 23-90737Debtor(s)Lead Case No. 23-90731☒ Jointly Administered**Monthly Operating Report**

Chapter 11

Reporting Period Ended: 09/30/2023Petition Date: 06/19/2023Months Pending: 3Industry Classification:

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Reporting Method:

Accrual Basis ☐Cash Basis ☒

Debtor's Full-Time Employees (current):

0

Debtor's Full-Time Employees (as of date of order for relief):

112**Supporting Documentation** (check all that are attached):

(For jointly administered debtors, any required schedules must be provided on a non-consolidated basis for each debtor)

- ☒ Statement of cash receipts and disbursements
- ☒ Balance sheet containing the summary and detail of the assets, liabilities and equity (net worth) or deficit
- ☒ Statement of operations (profit or loss statement)
- ☐ Accounts receivable aging
- ☐ Postpetition liabilities aging
- ☐ Statement of capital assets
- ☒ Schedule of payments to professionals
- ☒ Schedule of payments to insiders
- ☒ All bank statements and bank reconciliations for the reporting period
- ☒ Description of the assets sold or transferred and the terms of the sale or transfer

/s/ Steven Balasiano

Signature of Responsible Party

01/11/2024

Date

Steven Balasiano

Printed Name of Responsible Party

6701 Bay Parkway, 3rd Floor, Brooklyn, NY 11204
Address

STATEMENT: This Periodic Report is associated with an open bankruptcy case; therefore, Paperwork Reduction Act exemption 5 C.F.R. § 1320.4(a)(2) applies.

Debtor's Name Surgalign Spine Technologies, Inc.

Case No. 23-90737

Part 1: Cash Receipts and Disbursements	Current Month	Cumulative
a. Cash balance beginning of month	\$11,517,042	
b. Total receipts (net of transfers between accounts)	\$1,359,889	\$19,101,920
c. Total disbursements (net of transfers between accounts)	\$12,772,991	\$27,800,293
d. Cash balance end of month (a+b-c)	\$103,940	
e. Disbursements made by third party for the benefit of the estate	\$0	\$0
f. Total disbursements for quarterly fee calculation (c+e)	\$12,772,991	\$27,800,293

Part 2: Asset and Liability Status (Not generally applicable to Individual Debtors. See Instructions.)	Current Month
a. Accounts receivable (total net of allowance)	\$5,658,756
b. Accounts receivable over 90 days outstanding (net of allowance)	\$4,792,035
c. Inventory (Book <input type="radio"/> Market <input type="radio"/> Other <input checked="" type="radio"/> (attach explanation))	\$0
d. Total current assets	\$9,922,041
e. Total assets	\$9,941,638
f. Postpetition payables (excluding taxes)	\$3,310,767
g. Postpetition payables past due (excluding taxes)	\$2,019,678
h. Postpetition taxes payable	\$0
i. Postpetition taxes past due	\$0
j. Total postpetition debt (f+h)	\$3,310,767
k. Prepetition secured debt	\$0
l. Prepetition priority debt	\$0
m. Prepetition unsecured debt	\$21,710,175
n. Total liabilities (debt) (j+k+l+m)	\$25,020,942
o. Ending equity/net worth (e-n)	\$-15,079,304

Part 3: Assets Sold or Transferred	Current Month	Cumulative
a. Total cash sales price for assets sold/transferred outside the ordinary course of business	\$0	\$6,500,000
b. Total payments to third parties incident to assets being sold/transferred outside the ordinary course of business	\$0	\$0
c. Net cash proceeds from assets sold/transferred outside the ordinary course of business (a-b)	\$0	\$6,500,000

Part 4: Income Statement (Statement of Operations) (Not generally applicable to Individual Debtors. See Instructions.)	Current Month	Cumulative
a. Gross income/sales (net of returns and allowances)	\$0	
b. Cost of goods sold (inclusive of depreciation, if applicable)	\$0	
c. Gross profit (a-b)	\$0	
d. Selling expenses	\$0	
e. General and administrative expenses	\$7,101,994	
f. Other expenses	\$2,406,295	
g. Depreciation and/or amortization (not included in 4b)	\$0	
h. Interest	\$0	
i. Taxes (local, state, and federal)	\$0	
j. Reorganization items	\$97,762,219	
k. Profit (loss)	\$-107,249,444	\$-150,443,903

Debtor's Name Surgalign Spine Technologies, Inc.

Case No. 23-90737

Part 5: Professional Fees and Expenses

a.			Approved Current Month	Approved Cumulative	Paid Current Month	Paid Cumulative
	Debtor's professional fees & expenses (bankruptcy) <i>Aggregate Total</i>		\$0	\$0	\$0	\$0
	<i>Itemized Breakdown by Firm</i>					
	Firm Name	Role				
i	Alvarez & Marsal North Ameri	Financial Professional	\$0	\$0	\$0	\$0
ii	White and Case	Lead Counsel	\$0	\$0	\$0	\$0
iii	Jackson Walker	Local Counsel	\$0	\$0	\$0	\$0
iv	Kroll	Other	\$0	\$0	\$0	\$0
v	Pachulski Stang Ziehl & Jones	Special Counsel	\$0	\$0	\$0	\$0
vi	Province	Financial Professional	\$0	\$0	\$0	\$0
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Debtor's Name Surgalign Spine Technologies, Inc.

Case No. 23-90737

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b.			Approved Current Month	Approved Cumulative	Paid Current Month	Paid Cumulative
	Debtor's professional fees & expenses (nonbankruptcy) <i>Aggregate Total</i>		\$0	\$5,000	\$0	\$5,000
	<i>Itemized Breakdown by Firm</i>					
	Firm Name	Role				
i	Compliance & Risk Solutions L	Special Counsel	\$0	\$5,000	\$0	\$5,000
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Debtor's Name Surgalign Spine Technologies, Inc.

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Debtor's Name Surgalign Spine Technologies, Inc.

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Debtor's Name Suralign Spine Technologies, Inc.

Case No. 23-90737

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c.	All professional fees and expenses (debtor & committees)			\$0	\$0	\$0	\$0

Part 6: Postpetition Taxes**Current Month****Cumulative**

a.	Postpetition income taxes accrued (local, state, and federal)	\$0	\$0
b.	Postpetition income taxes paid (local, state, and federal)	\$0	\$0
c.	Postpetition employer payroll taxes accrued	\$548,926	\$1,462,129
d.	Postpetition employer payroll taxes paid	\$548,926	\$1,505,378
e.	Postpetition property taxes paid	\$0	\$0
f.	Postpetition other taxes accrued (local, state, and federal)	\$0	\$0
g.	Postpetition other taxes paid (local, state, and federal)	\$0	\$0

Part 7: Questionnaire - During this reporting period:

- a. Were any payments made on prepetition debt? (if yes, see Instructions) Yes ☐ No ☒
- b. Were any payments made outside the ordinary course of business without court approval? (if yes, see Instructions) Yes ☐ No ☒
- c. Were any payments made to or on behalf of insiders? Yes ☒ No ☐
- d. Are you current on postpetition tax return filings? Yes ☒ No ☐
- e. Are you current on postpetition estimated tax payments? Yes ☒ No ☐
- f. Were all trust fund taxes remitted on a current basis? Yes ☒ No ☐
- g. Was there any postpetition borrowing, other than trade credit? (if yes, see Instructions) Yes ☐ No ☒
- h. Were all payments made to or on behalf of professionals approved by the court? Yes ☐ No ☐ N/A ☒
- i. Do you have:
- Worker's compensation insurance? Yes ☒ No ☐
- If yes, are your premiums current? Yes ☒ No ☐ N/A ☐ (if no, see Instructions)
- Casualty/property insurance? Yes ☒ No ☐
- If yes, are your premiums current? Yes ☒ No ☐ N/A ☐ (if no, see Instructions)
- General liability insurance? Yes ☒ No ☐
- If yes, are your premiums current? Yes ☒ No ☐ N/A ☐ (if no, see Instructions)
- j. Has a plan of reorganization been filed with the court? Yes ☒ No ☐
- k. Has a disclosure statement been filed with the court? Yes ☒ No ☐
- l. Are you current with quarterly U.S. Trustee fees as set forth under 28 U.S.C. § 1930? Yes ☒ No ☐

Debtor's Name Surgalign Spine Technologies, Inc.

Case No. 23-90737

Part 8: Individual Chapter 11 Debtors (Only)

- | | | | |
|----|---|-------|-----|
| a. | Gross income (receipts) from salary and wages | _____ | \$0 |
| b. | Gross income (receipts) from self-employment | _____ | \$0 |
| c. | Gross income from all other sources | _____ | \$0 |
| d. | Total income in the reporting period (a+b+c) | _____ | \$0 |
| e. | Payroll deductions | _____ | \$0 |
| f. | Self-employment related expenses | _____ | \$0 |
| g. | Living expenses | _____ | \$0 |
| h. | All other expenses | _____ | \$0 |
| i. | Total expenses in the reporting period (e+f+g+h) | _____ | \$0 |
| j. | Difference between total income and total expenses (d-i) | _____ | \$0 |
| k. | List the total amount of all postpetition debts that are past due | _____ | \$0 |
- l. Are you required to pay any Domestic Support Obligations as defined by 11 U.S.C § 101(14A)? Yes ☐ No ☒
- m. If yes, have you made all Domestic Support Obligation payments? Yes ☐ No ☐ N/A ☒

Privacy Act Statement

28 U.S.C. § 589b authorizes the collection of this information, and provision of this information is mandatory under 11 U.S.C. §§ 704, 1106, and 1107. The United States Trustee will use this information to calculate statutory fee assessments under 28 U.S.C. § 1930(a)(6). The United States Trustee will also use this information to evaluate a chapter 11 debtor's progress through the bankruptcy system, including the likelihood of a plan of reorganization being confirmed and whether the case is being prosecuted in good faith. This information may be disclosed to a bankruptcy trustee or examiner when the information is needed to perform the trustee's or examiner's duties or to the appropriate federal, state, local, regulatory, tribal, or foreign law enforcement agency when the information indicates a violation or potential violation of law. Other disclosures may be made for routine purposes. For a discussion of the types of routine disclosures that may be made, you may consult the Executive Office for United States Trustee's systems of records notice, UST-001, "Bankruptcy Case Files and Associated Records." See 71 Fed. Reg. 59,818 et seq. (Oct. 11, 2006). A copy of the notice may be obtained at the following link: http://www.justice.gov/ust/eo/rules_regulations/index.htm. Failure to provide this information could result in the dismissal or conversion of your bankruptcy case or other action by the United States Trustee. 11 U.S.C. § 1112(b)(4)(F).

I declare under penalty of perjury that the foregoing Monthly Operating Report and its supporting documentation are true and correct and that I have been authorized to sign this report on behalf of the estate.

/s/ Steven Balasiano

Signature of Responsible Party

Plan Administrator

Title

Steven Balasiano

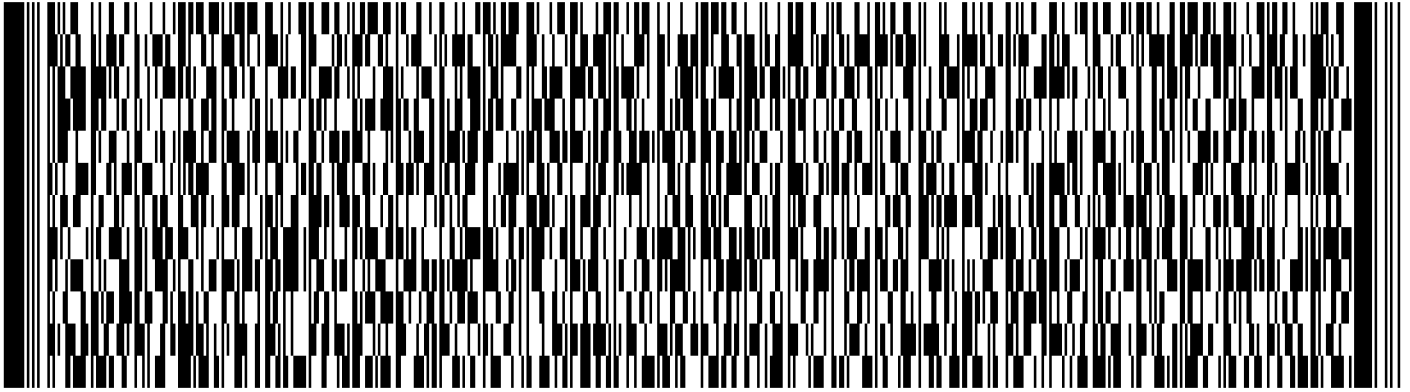
Printed Name of Responsible Party

01/11/2024

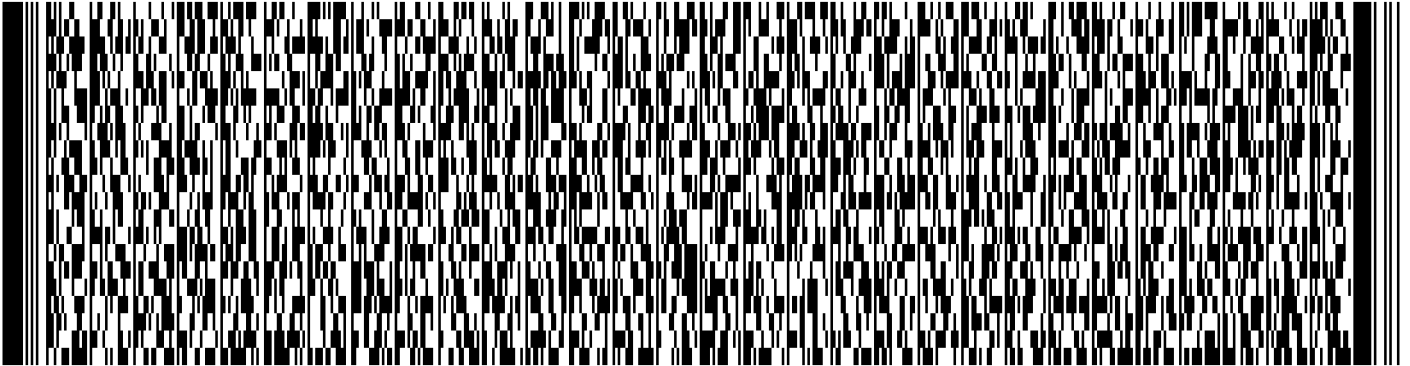
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Debtor's Name Surgalign Spine Technologies, Inc.

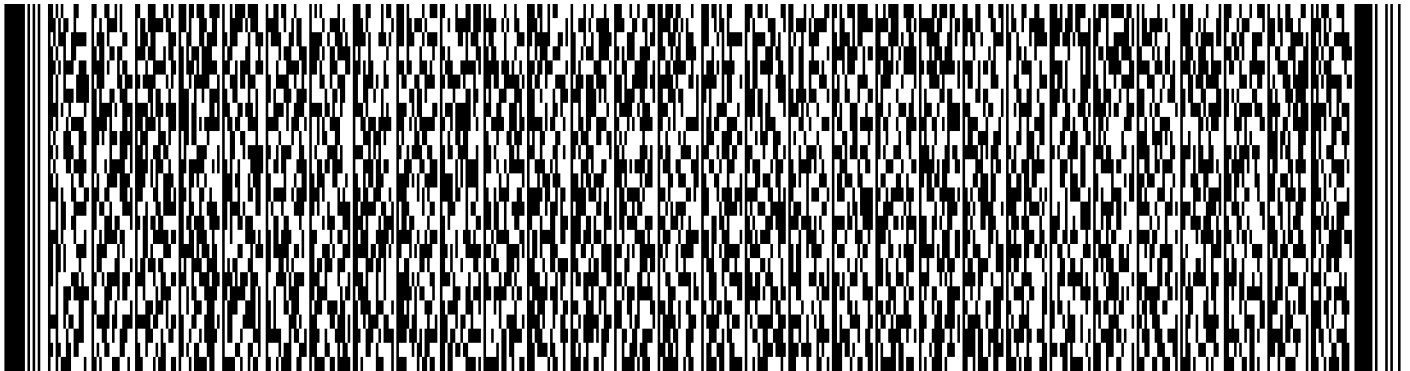
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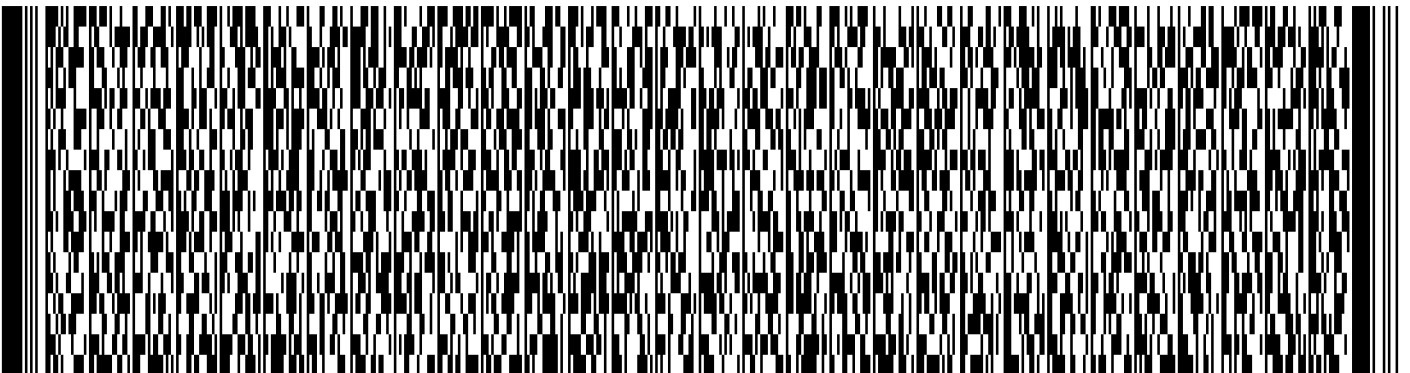
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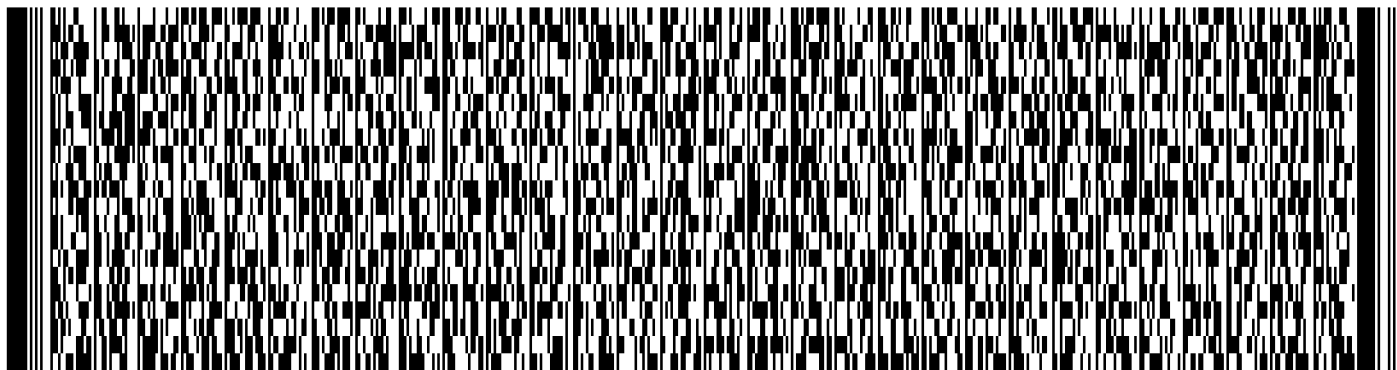
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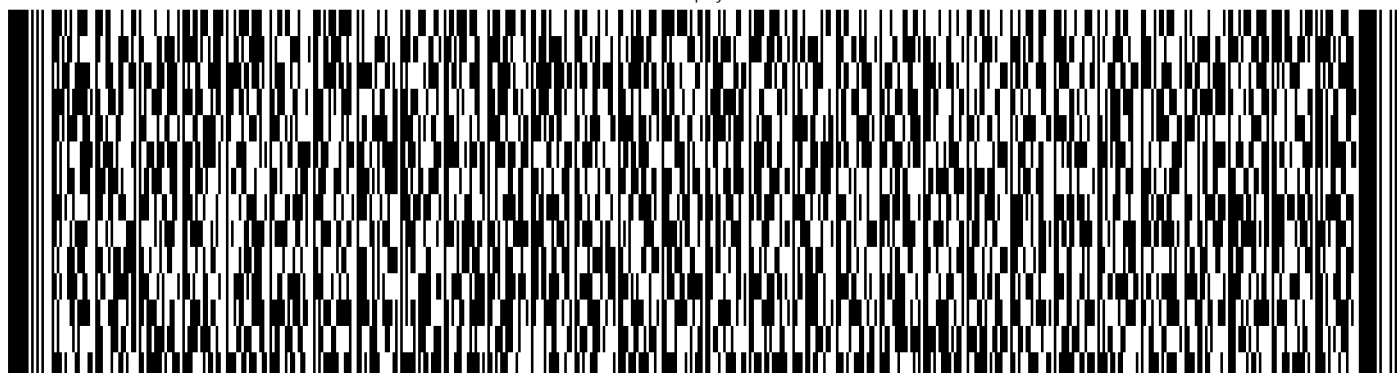
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Debtor's Name Surgalign Spine Technologies, Inc.

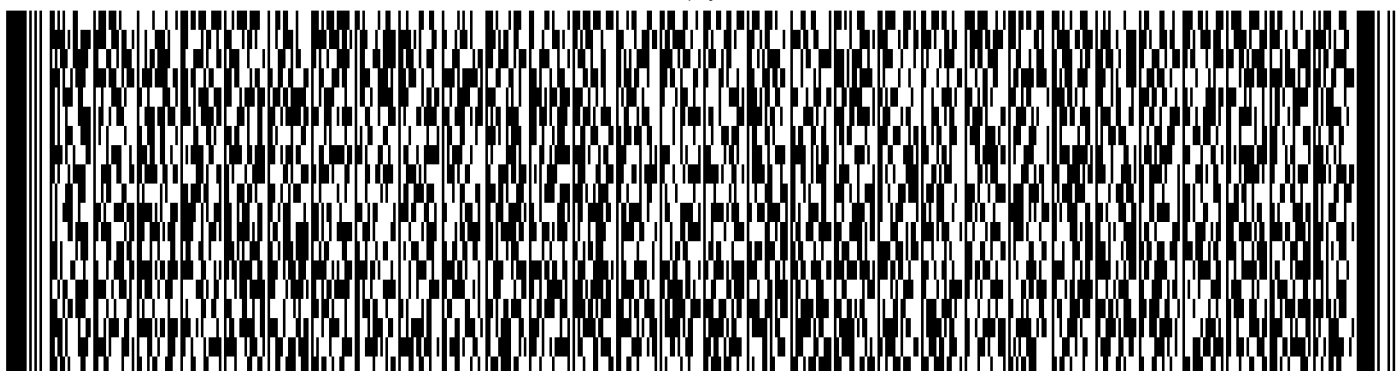
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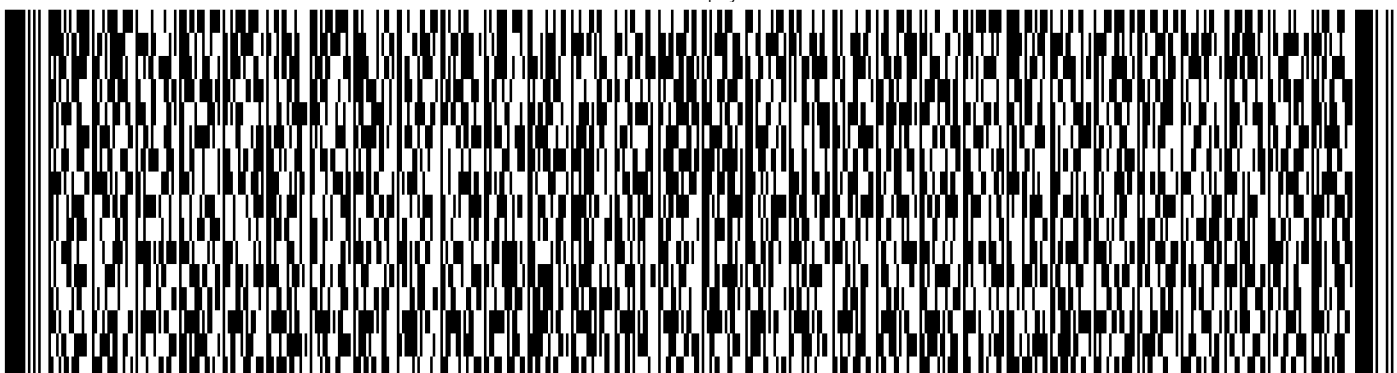
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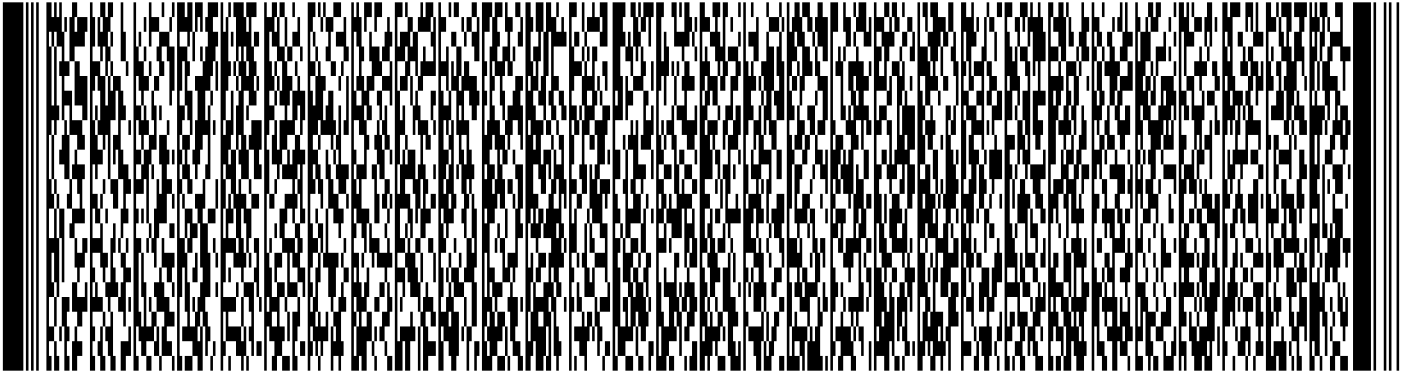
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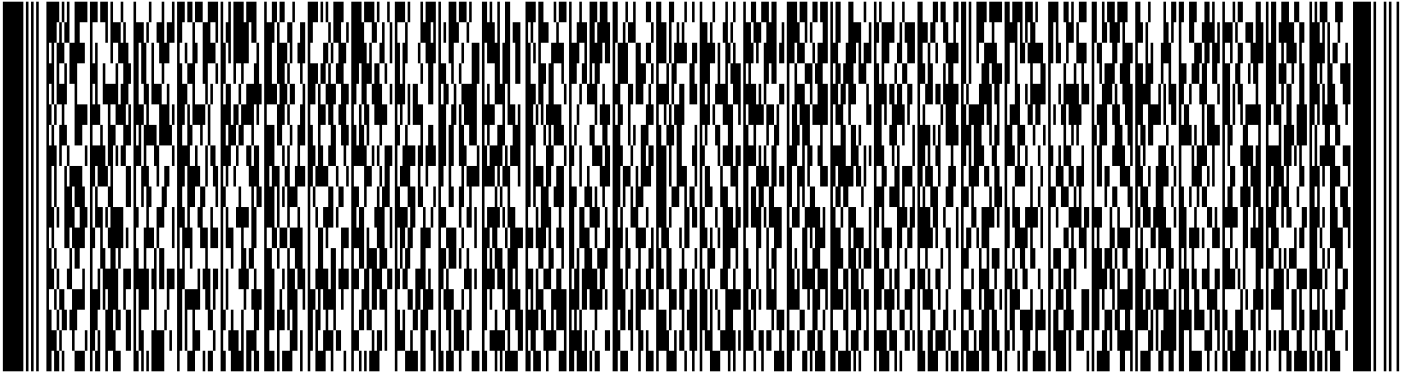
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Debtor's Name Surgalign Spine Technologies, Inc.

Case No. 23-90737



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MOR Notes

In re: Surgalign Spine Technologies, Inc.

Case No. (Jointly Administered):

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Notes to the Monthly Operating Report**General:**

The report includes activity from the following Debtors and related Case Numbers:

Debtor	Case Number
Spinal Transition and Professional Services LLC	23-90730
Surgalign Holdings, Inc.	23-90731
Holo Surgical Technology Inc.	23-90732
Andi's Belmarall, LLC	23-90733
Pioneer Surgical Technology Inc.	23-90734
Fourth Dimension Spine, LLC	23-90735
Holo Surgical, Inc.	23-90736
Surgalign Spine Technologies, Inc.	23-90737

General Notes:

The financial and supplemental information contained herein is presented on preliminary and unaudited basis, remains subject to future adjustments and may not comply in all material respects with generally accepted accounting principles in United States of America ("U.S. GAAP"). This MOR should not be relied on by any persons for information relating to current or future financial conditions, events, or performance of any of the Debtors or their affiliates. The results for this final MOR include transactions up to and including the effective date, October 2, 2023.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures, the Debtors believe that the financial information could be subject to material changes.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the combined results of operations and financial positions of the Debtor in the future.

The Debtors reserve all rights to amend or supplement this MOR in all respects, as may be necessary or appropriate. Nothing contained in this MOR shall constitute a waiver of any of the Debtors' rights or an admission with respects to their chapter 11 cases.

Totals and Subtotals may not foot because of rounding (applies to all MOR schedules).

In re: Surgalign Spine Technologies, Inc.

MOR-1

Case No. (Jointly Administered):

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Schedule of Cash Receipts and Disbursements

September statements	Surgalign Spine Tech	Surgalign Spine	Surgalign Spine Tech (Payroll)	Pioneer Surgical Tech	Paradigm Spine	Paradigm Spine	Adjustments ²	September MOR
Bank account	<u>30889</u>	<u>63139</u>	<u>63386</u>	<u>65639</u>	<u>15859</u>	<u>15966¹</u>		
Beginning balance	\$ -	\$ 11,514,649.84	\$ -	\$ -	\$ -	\$ 2,392.50		\$ 11,517,042.34
Deposits	2,665,035.67	21,198.72	174.10	169.25		-	(1,481,150.00)	1,205,427.74
Txr 63139	(2,655,952.95)	2,655,952.95						-
Txr 63386		(856,743.67)	856,743.67					-
Txr 65639		(5,452,771.16)		5,452,771.16				-
Txr 15859		(40.00)			40.00			-
Withdrawals	(9,082.72)	(536,199.69)	(856,917.77)	(5,452,940.41)	(40.00)	-		(6,855,180.59)
Ending balance	-	7,346,046.99	-	-	-	2,392.50		5,867,289.49
October 1-3 statement activity								
Beginning balance	-	7,346,046.99	-	-	-	2,392.50		5,867,289.49
Deposits	154,462.18					-		154,462.18
Txr 63139	(149,649.56)	149,649.56						-
Txr 63386		(560,487.17)	560,487.17					-
Txr 65639		(3,322.31)		3,322.31				-
Txr 65639		(22,373.00)		22,373.00				-
Txr 15859		(40.00)			40.00			-
Withdrawals	(4,812.62)	(6,807,925.32)	(560,487.17)	(25,695.31)	(40.00)		1,481,150.00	(5,917,810.42)
Ending balance	\$ -	\$ 101,548.75	\$ -	\$ -	\$ -	\$ 2,392.50		\$ 103,941.25
Combined 9/1-10/3 activity								
Beginning balance								\$ 11,517,042.34
Deposit								1,359,889.92
Disbursements								(12,772,991.01)
Ending balance								\$ 103,941.25

Notes

- 1 Balance not included in prior MORs
- 2 Pursuant to the terms of the Xtant APA, Xtant used the debtor's systems to invoice customers and receive payments from 8/10/23 to 9/30/23. In total, \$1,481,150 of Xtant's cash passed through the debtor's bank accounts and is therefore deducted from debtor's deposits and disbursements.

In re: Surgalign Spine Technologies, Inc.

Case No. (Jointly Administered):

MOR-2

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Asset and Liability Status

	<u>As of 9/30/23</u>
Assets	
Cash and cash equivalents	103,941
Accounts receivable	5,658,756
Inventories ⁽¹⁾	(0)
Prepaid and other current assets	4,161,737
Total current assets	9,924,434
Investment in subsidiaries	-
Deferred Tax Asset	(1)
Intangibles	-
Property and equipment - net ⁽¹⁾	0
Other assets - net	19,598
	9,944,031
Liabilities and Stockholders' Equity	
Current Liabilities:	
Accounts payable	9,589,094
Accrued expenses	367,449
Accrued income taxes	-
Total current liabilities	9,956,542
Intercompany	0
Notes payable - related party	10,436,693
Other long-term liabilities	4,627,708
Total liabilities	25,020,942
Stockholders Equity:	
Common stock	(17,069,489)
Preferred Stock (NCI)	10,005,540
Additional paid-in capital	398,653,901
Accumulated other comprehensive loss	(3,076,856)
Accumulated deficit	-
Treasury stock	(5,957,766)
Retained earnings	(333,537,619)
Current year retained earnings	(64,097,015)
Total stockholders' equity	(15,079,304)
Total liabilities and stockholders' equity	9,941,638

Notes

1) These figures are subject to change.

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF TEXAS

HOUSTON DIVISION

MOR-3

In re: Surgalign Spine Technologies, Inc.

Case No. (Jointly Administered):

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Assets Sold or Transferred

	9/1/2023 - 9/30/2023	Cumulative
Total cash sales price for assets sold/transferred outside the ordinary course of business ⁽¹⁾	\$ -	\$ 6,500,000
Total payments to 3rd parties incident to assets being sold/transferred outside the ordinary course of business	-	-
Net Cash Proceeds from assets sold/transferred outside the ordinary course of business	\$ -	\$ 6,500,000

Notes

1) Pursuant to *Order (I) Authorizing and Approving the Sale of Certain of the Debtors' Assets Related to Debtors' Global Hardware Business to Xtant Medical Holdings, Inc.* (Docket No. 329) and *Order (I) Authorizing and Approving the Sale of Certain of the Debtors' Digital Health Business Assets to Augmedics, Inc.* (Docket No. 338). Proceeds were received on August 11, 2023.

MOR-4

In re: Surgalign Spine Technologies, Inc.

Case No. (Jointly Administered):

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Consolidated Statement of Operations (in 000s)

	September 1 - 30, 2023	Cumulative
Revenues	-	7,534,083
Cost of goods sold	-	(1,949,901)
Gross profit	-	5,584,184
Operating Expenses:		
General and administrative	(7,101,994)	(12,402,819)
Asset impairment and abandonments	58,242	(210,381)
Other operating expenses	(74,709)	(83,214)
Total operating expenses	(7,118,461)	(12,696,413)
Operating income/loss	(7,118,461)	(7,112,230)
Other expense (income) - net:		
The financial and	-	47,318
Interest & other expenses	-	(112,069)
Other (income) expense - net	(2,389,734)	(24,673,516)
Foreign exchange (loss)/gain	(93)	499
Gain/Loss Asset Transaction	(97,762,219)	(104,363,349)
Change in fair value of warrant liability	-	(14,224,080)
Total other (income) expense - net	(100,152,047)	(143,325,198)
Loss before income tax (benefit) provision	(107,270,508)	(150,437,427)
Income tax (benefit) provision	21,064	(6,475)
Net (loss)/gain from continuing operations	\$ (107,249,444)	\$ (150,443,903)

Notes

(Continued) MOR-7

In re: Surgalign Spine Technologies, Inc.

Case No. (Jointly Administered):

23-90737

Reporting Period:

9/1/2023 - 9/30/2023

Schedule of Payments to Insiders

Payee	Role of Insider	Amount Paid	Cumulative Payments Since Filing
Rich, Terry	Chief Executive Officer, President	235,566	\$ 341,335
Lyle, David	Chief Administrative Officer	145,480	227,211
Amoruso, Paolo	Chief Legal Officer and Corporate Secretary	45,515	112,823
Frizzley, Jill	Board Member	30,000	90,000
LaPuma, Elizabeth	Board Member	30,000	90,000
Durall, William	Chief Commercial Officer	83,600	138,592
Total		\$ 570,161	\$ 999,961